

## Message Text

LIMITED OFFICIAL USE

PAGE 01 OECD P 05221 011045Z

43

ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

EA-11 FRB-02 INR-10 IO-14 NEA-10 NSAE-00 RSC-01

OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01 SWF-02

OMB-01 FEA-02 DRC-01 /137 W  
----- 079220

R 010951Z MAR 74

FM USMISSION OECD PARIS

TO SECSTATE WASHDC 1937

INFO AMEMBASSY MADRID

LIMITED OFFICIAL USE USMISSION OECD PARIS 5221

E.O. 11652: N/A

TAGS: ECON, OECD

SUBJECT: EDRC REVIEW SPAIN, MARCH 7

REF: EDR (74)6

1. SUMMARY: SPANISH ECONOMY EXPECTED SLOW DOWN  
SHARPLY IN 1974, BUT INFLATION WILL CONTINUE BE MAJOR  
PROBLEM DURING YEAR. END SUMMARY.

2. OECD SECRETARIAT DRAFT ECONOMIC SURVEY OF SPAIN  
(REF DOC), FRENCH EDITION, AIR POUCHED WASHINGTON  
(EUR/RPE KINNELLY) AND MADRID (JURECKY) FEB. 28.  
ENGLISH TRANSLATION NOT LIKELY BE AVAILABLE UNTIL  
DATE MEETING. SURVEY FOCUSES ON FOUR SECTORS SPANISH  
ECONOMY: (A) RECENT DEVELOPEMNTS IN INTERNAL DEMAND,  
PRODUCTION AND BALANCE PAYMENTS; (B) REASON FOR RECENT  
INCREASES IN RATE OF INFLATION AND PRINCIPAL POLICY  
MEASURES FOR CONTROLLING DEMAN; (C) DEVELOPMENT OF  
PUBLIC SECTOR OVER PAST DECADE AND ITS IMPORTANCE  
TO ECONOMY; AND (D) PROSPECTS FOR 1974 AND  
POLICY CONCLUSIONS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OECD P 05221 011045Z

3. DRAFT SURVEY NOTES THAT 1973 LIKE 1972 WAS CHARACTERIZED BY HIGH RATE OF EXPANSION WITH HEAVY DOMESTIC DEMAND PRESSURES PULLING UP COSTS BY 20 PERCENT AND PRICES BY OVER 11 PERCENT IN 1973 COMPARED WITH 1972. SPANISH ECONOMY AND BALANCE PAYMENTS IN 1974 WILL BE STRONGLY MARKED BY PETROLEUM PRICE HIKES ALTHOUGH ECONOMY WILL REMAIN LARGELY UNTOUCHED BY OIL SHORTAGES. ECONOMIC ACTIVITY IS EXPECTED FALL OFF SHARPLY, AND SECRETARIAT WARNS THAT ALTHOUGH ECONOMY PRESENTLY CHARACTERIZED BY EXTREMELY LOW UNEMPLOYMENT, THIS COULD CHANGE CONSIDERABLY TOWARD END 1974, PARTICULARLY IF WORKERS ABROAD ARE RELEASED AND RETURN HOME. SLOWDOWN REFLECTS EXPECTED DECLINE IN DEMAND ABROAD FOR SPANISH EXPORTS AS OTHER OECD ECONOMIES ALSO SLOW, AND DECREASE IN TOURISM. GOVERNMENT'S 1973 ANTI-INFLATION POLICIES, COUPLED WITH DEFLATIONARY IMPACT OF OIL PRICE HIKES ON REAL INCOMES WILL ALSO BE IMPORTANT FACTORS. SECRETARIAT RECOMMENDS CONTINUATION DIRECT PRICE CONTROLS, WHICH WERE PUT IN PLACE IN SECOND HALF 1973, BUT IN VIEW EXPECTED DECLINE IN ECONOMY IN COURSE OF YEAR SUGGESTS RELAXATION MONETARY AND BUDGETARY POLICIES AND GRADUAL SHIFT TO EXPANSIONARY STANCE. IT NOTES CURRENT ACCOUNT DEFICIT WILL IN PART BE COVERED BY LONG-TERM CAPITAL INFLOW; THIS FAVORABLE ELEMENT IN CONJUNCTION WITH DOLS 7 BILLION FOREIGN EXCHANGE RESERVES SHOULD MAKE FINANCING OF DEFICIT EASY.

4. SECRETARIAT FORECASTS 1974 REAL GROSS NATIONAL PRODUCT TO DECLINE FROM 7.8 PERCENT IN 1973 TO 4.5 PERCENT, PRIVATE CONSUMPTION FROM 6.5 TO 3.5 PERCENT, PUBLIC CONSUMPTION 6.0 TO 5 PERCENT, GROSS CAPITAL FORMATION FROM 15.5 TO 9 PERCENT; EXPORTS OF GOODS AND SERVICES FROM 15.4 TO 4.5 PERCENT, AND IMPORTS OF GOODS AND SERVICES FROM 19.3 TO 7.5 PERCENT. THE DEFLATOR IS FORECAST MOVE FROM 11 TO 10 PERCENT, BUT CONSUMER PRICE INDEX FROM 11.4 TO 14 PERCENT. THE DEFICIT ON TRADE ACCOUNT IS FORECAST INCREASE FROM 200 BILLION PESETAS IN 1973 TO 340 BILLION PESETAS (DOLS 5.7 BILLION) IN 1974, AND CURRENT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 OECD P 05221 011045Z

ACCOUNT BALANCE TO MOVE CORRESPONDINGLY FROM SURPLUS 35 BILLION PESETAS TO DEFICIT OF 90 BILLION PESETAS (DOLS 1.5 BILLION). ON BASIS ESTIMATE THAT RISE IN PRICE OF PETROLEUM WILL CUT BACK OIL IMPORTS BY 5 PERCENT IN 1974, SECRETARIAT ATTRIBUTES 80 BILLION PESETAS (DOLS 1.3 BILLION) DETERIORATION CURRENT ACCOUNT, TO OIL IMPACT.

5. UNLESS OTHERWISE ADVISED BY WASHINGTON, MISSION EXPECTS SUPPORT GENERAL LINE OF SECRETARIAT, BUT WILL SUGGEST SPANISH SHOULD BE CAUTIOUS IN SHIFTING TO MORE EXPANSIONARY POLICY STANCE UNTIL THEY ARE CERTAIN THAT DOWN SWING FIRMLY EVIDENT. (THIS WOULD BE IN LINE WITH OUR GENERAL VIEWS EXPRESSED IN RECENT ECONOMIC POLICY COMMITTEE MEETING.) SOME RELAXATION ECONOMY SHOULD BE WELCOMED AFTER SEVERAL YEARS ANNUAL REAL GROWTH RATE AVERAGING 8 PERCENT, SUBSTANTIALLY IN EXCESS LONG-TERM POTENTIAL. ALTHOUGH CONSUMER PRICES EXPECTED PEAK IN 1974 AND DECLINE TOWARD END YEAR, IT SEEM PRE-MATURE RELAX FIGHT AGAINST INFLATION UNTIL PRICES DEFINITELY SHIFTED TO DOWNWARD PATH. COMMENTS FROM EMBASSY MADRID WELCOMED. SECRETARIAT NOTES THAT DRAFT REVIEW WAS NOT SEEN BY SPANISH AUTHORITIES PRIOR TO ITS RELEASE THIS WEEK.

6. PLEASE INFORM US IF JURECKY WANTS MISSION MAKE HOTEL RESERVATIONS.  
BROWN

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, ECONOMIC REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 01 MAR 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974OECDP05221  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** OECD PARIS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740375/aaaacrjc.tel  
**Line Count:** 136  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** EDR (74)6  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 18 APR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <18 APR 2002 by ifshinsr>; APPROVED <10 JUN 2002 by morefirh>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** EDRC REVIEW SPAIN, MARCH 7  
**TAGS:** ECON, SP, OECD, EDRC  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005